

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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STATE CORPORATION COMMISSION)	CASE NO. PUE-2002-00645
)	
Ex Parte: In the matter concerning)	
the provision of default service to retail)	
customers under the provisions of the)	
Virginia Electric Utility Restructuring Act)	

COMMENTS OF THE VML/VACo APCo STEERING COMMITTEE
CONCERNING THE STAFF REPORT

In its *Order Establishing Investigation* dated December 23, 2002 ("December 23 Order") in the above-captioned docket, the State Corporation Commission ("Commission") requested input and recommendations concerning a number of issues related to the components of default service and the establishment of one or more programs making such services available to retail customers in furtherance of its statutory obligations under § 56-585 of the Virginia Electric Utility Restructuring Act ["Restructuring Act" or "Act", § 56-576 *et seq.* of Title 56 of the Code of Virginia ("Va. Code" or "Code")]. The Commission also directed its staff ("Staff") to establish a work group to examine these issues and to file a report ("Staff Report") on such matters on or before May 1, 2003, and further invited parties to file comments on the Staff Report on or before May 16, 2003. December 23 Order at 4.

The VML/VACo APCo Steering Committee ("Steering Committee"), is comprised of representatives of local governments and other political subdivisions of the Commonwealth (the "Public Authorities" or "PA Customers") served by Appalachian

Power Company d/b/a American Electric Power ("APCo"), an operating company subsidiary of American Electric Power. The Steering Committee participated in the work group and filed initial comments in response to the Commission's list of issues set forth in the December 23 Order. The Steering Committee, by counsel, hereby files its comments in response to the Staff Report.

The Staff recommends that the Commission:

1. Determine that effective January 1, 2004, and until modified by future order of the Commission, the components of Default Service include all elements of Electricity Supply Service as defined^[1] by the Commission's Rules Governing Retail Access to Competitive Energy Services; and
2. Require Appalachian Power Company, Delmarva Power & Light Company, The Potomac Edison Company, and Virginia Electric and Power Company, effective January 1, 2004, and until modified by future order of the Commission, to provide default service to all retail customers requiring such service within their respective service territories under the rates, terms, and conditions of capped rate Electricity Supply Service. ^[2]

The Steering Committee agrees with these recommendations. Staff observes that, among other things, "virtually all Virginia retail customers simply lack a reasonable competitive option[.]" and that "absent a significant change in the current capped rate/wires charge structure, there is substantial uncertainty as to the feasibility of an entity other than the incumbent utility providing default service until the end of the capped rate period." Staff Report at 5, 7. Accordingly, it is appropriate for APCo and the other incumbent electric utilities to provide default service to all retail customers.

¹ Rule 10 B of the Commission's Rules Governing Retail Access to Competitive Energy Services, 20 VAC 5-312-10 *et seq.*, defines Electricity Supply Service as "the generation of electricity, or when provided together, the generation of electricity and its transmission to the distribution facilities of the local distribution company on behalf of a retail customer."

² Staff Report at 8 (footnote omitted).

The Steering Committee interprets the Staff's second recommendation to extend to default service provided to the Commonwealth and its municipalities,³ *see* Code § 56-581 C,⁴ to the extent that such entities are "retail customers."⁵ To the extent that the Commission agrees with this interpretation, the Steering Committee has no objection to Staff's recommendations, and does not request a hearing.⁶ If the Commission does not interpret Staff's recommendations to extend to the Commonwealth and its municipalities, the Steering Committee requests to be heard on the matter.

The VML/VACo APCo Steering Committee appreciates the opportunity to provide this response to the Staff Report, and looks forward to working with the Staff and the other stakeholders as the Commission continues its investigation into the provision of default service to retail customers.

Dated this 16th day of May, 2003.

Respectfully submitted,

The VML/VACo APCo Steering Committee

By: 
Of Counsel

³ The Act defines "municipality" as "a city, county, town, authority or other political subdivision of the Commonwealth." Code § 56-576.

⁴ Code § 56-581 C provides that "[e]xcept for the provision of default services under § 56-585 or emergency services in § 56-586, nothing in this chapter shall authorize the Commission to regulate the rates or charges for electric service to the Commonwealth and its municipalities."

⁵ The Act defines "retail customer" as "any person that purchases retail electric energy for its own consumption at one or more metering points or nonmetered points of delivery located in the Commonwealth." Code § 56-576. "Person" is defined in the Act as "any individual, corporation, partnership, association, company, business, trust, joint venture, or other private legal entity, and the Commonwealth or any municipality." *Id.*

⁶ The December 23 Order provides that interested parties may file comments or requests for hearing on the Staff's Report. *See id.*, slip op. at 4, Ordering Paragraph 6.